

House File 700 - Introduced

HOUSE FILE _____
BY JACOBY

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing for a linked investment loans for emerging
2 businesses program administered by the department of economic
3 development.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 2172YH 83
6 tw/mg:sc/8

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1 1 Section 1. NEW SECTION. 15E.361 SHORT TITLE.
1 2 This division shall be known as and may be cited as the
1 3 "Linked Investment Loans for Emerging Businesses Act".
1 4 Sec. 2. NEW SECTION. 15E.362 DEFINITIONS.
1 5 For purposes of this division, unless the context otherwise
1 6 requires:
1 7 1. "Department" means the department of economic
1 8 development.
1 9 2. "Eligible borrower" means a business meeting the
1 10 requirements of section 15E.363.
1 11 3. "Eligible lending institution" means a financial
1 12 institution empowered to make commercial loans and eligible to
1 13 be a depository of state funds pursuant to chapter 12C.
1 14 4. "Emerging business" means a business in existence less
1 15 than five years.
1 16 5. "Fund" means the grow Iowa values fund created in
1 17 section 15G.108.
1 18 6. "Linked investment" means an agreement between the
1 19 department and an eligible lending institution in which the
1 20 department obtains a certificate of deposit from the lending
1 21 institution and in which the eligible lending institution
1 22 agrees to loan to an eligible borrower an amount at least
1 23 equal to the amount of the principal specified in the
1 24 certificate of deposit.
1 25 7. "Primary sector business" means a business
1 26 participating in interstate or intrastate commerce and engaged
1 27 in manufacturing, processing, or assembling products,
1 28 conducting research and development, or providing services in
1 29 interstate or intrastate commerce. "Primary sector business"
1 30 does not include retail, health, or professional services
1 31 businesses.
1 32 8. "Program" means the linked investment loans for
1 33 emerging businesses program established in section 15E.364.
1 34 9. "Qualifying wage threshold" means the county wage or
1 35 the regional wage, as calculated by the department pursuant to
2 1 section 15E.366, whichever is lower.
2 2 Sec. 3. NEW SECTION. 15E.363 ELIGIBLE BORROWERS.
2 3 1. A business meeting the requirements of this section is
2 4 eligible to apply for the linked investment loans for emerging
2 5 businesses program established in section 15E.364.
2 6 2. To be eligible, a business must meet all of the
2 7 following requirements:
2 8 a. The business is an Iowa-based primary sector business.
2 9 b. The business is an emerging business seeking to expand,
2 10 an emerging business seeking to purchase another Iowa-based
2 11 business, or any existing business that has suffered
2 12 significant physical damage as a result of a natural disaster.
2 13 c. The business can demonstrate that the proceeds of a
2 14 linked investment loan will result in the creation or
2 15 retention of five or more jobs at one hundred eighty percent
2 16 of the qualifying wage threshold, ten or more jobs at one
2 17 hundred sixty percent of the qualifying wage threshold, or
2 18 twenty or more jobs at one hundred thirty percent of the
2 19 qualifying wage threshold.

2 20 Sec. 4. NEW SECTION. 15E.364 LINKED INVESTMENT LOANS FOR
2 21 EMERGING BUSINESSES PROGRAM.

2 22 1. PROGRAM ESTABLISHED.

2 23 a. The department shall establish and administer a linked
2 24 investment loans for emerging businesses program for purposes
2 25 of investing moneys in financial institutions in order to
2 26 facilitate the flow of private capital to eligible borrowers.

2 27 b. In investing moneys under the program, the department
2 28 shall invest in certificates of deposit at eligible lending
2 29 institutions. The department may invest as much as
2 30 twenty-five percent of the balance of moneys in the fund.

2 31 c. The department may obtain or renew a certificate of
2 32 deposit from an eligible lending institution for an amount of
2 33 time determined by the department, but the total amount of
2 34 time a certificate may be held by an eligible lending
2 35 institution shall not exceed five years.

3 1 d. Interest earned under the program shall be considered
3 2 earnings of the fund and notwithstanding section 12C.7 shall
3 3 be credited to the fund.

3 4 e. A loan provided to an eligible borrower through a
3 5 linked investment pursuant to this division does not receive
3 6 financial assistance for purposes of section 15G.112 and is
3 7 not subject to the job and wage requirements specified in that
3 8 section.

3 9 2. APPLICATION AND CERTIFICATION.

3 10 a. An eligible lending institution wishing to participate
3 11 in the program shall accept and review applications for loans
3 12 from eligible borrowers.

3 13 b. The eligible lending institution shall certify that the
3 14 applicant is an eligible borrower under the program, determine
3 15 whether to make a loan to the applicant, and if so, in what
3 16 amount.

3 17 3. LOAN PACKAGES.

3 18 a. An eligible lending institution wishing to accept a
3 19 linked investment from the department shall send to the
3 20 department a loan package.

3 21 b. The loan package shall include but not be limited to
3 22 the amount of the loan requested by the applicant, the amount
3 23 of the investment requested by the eligible lending
3 24 institution from the department, a plan detailing the purposes
3 25 for which the applicant intends to expend the loan proceeds,
3 26 an estimate of the economic impact to the state of the
3 27 applicant's plan for the proceeds, and a certification by the
3 28 eligible lending institution that the applicant is an eligible
3 29 borrower pursuant to section 15E.363.

3 30 4. LINKED INVESTMENT TERMS.

3 31 a. The department shall accept and review loan packages
3 32 sent by eligible lending institutions. The department,
3 33 subject to the requirements of this division, may make a
3 34 linked investment according to the terms requested in the loan
3 35 package or may negotiate other terms.

4 1 b. In reviewing a loan package as a potential linked
4 2 investment, the department shall consider the type or terms of
4 3 the loan involved, the nature of the applicant's business, the
4 4 availability of state funds, and the compliance history of
4 5 both the eligible borrower and the eligible lending
4 6 institution.

4 7 c. Upon reaching acceptable terms for the linked
4 8 investment, the department shall deposit with the eligible
4 9 lending institution moneys from the fund, and the eligible
4 10 lending institution shall issue to the department one or more
4 11 certificates of deposit.

4 12 d. The interest rate of a certificate of deposit may be
4 13 negotiated by the department and the eligible lending
4 14 institution but shall be at a rate below the current market
4 15 rate. However, the department shall not negotiate an
4 16 annualized interest rate on the certificate of deposit that is
4 17 less than one-half of one percent.

4 18 e. The eligible lending institution shall remit the
4 19 interest earned on the certificate of deposit and any
4 20 principal not renewed on the date the certificate of deposit
4 21 matures.

4 22 f. Certificates of deposit issued pursuant to this
4 23 division shall not be subject to a penalty for early
4 24 withdrawal.

4 25 5. LOAN TERMS.

4 26 An eligible lending institution accepting a linked
4 27 investment shall make a loan to the applicant for an amount at
4 28 least equal to the value of the moneys deposited by the
4 29 department. The loan shall be at an interest rate not more
4 30 than four percent above the interest rate of the certificate

4 31 of deposit.

4 32 Sec. 5. NEW SECTION. 15E.365 LIABILITY.

4 33 1. Neither the state nor the department shall be liable to

4 34 an eligible lending institution in any manner for payment of

4 35 the principal or interest on the loan from an eligible lending

5 1 institution to an eligible borrower.

5 2 2. In making linked investments with eligible lending

5 3 institutions for loans to eligible borrowers, the department

5 4 shall not pledge the credit or taxing power of the state nor

5 5 in any manner give or loan the state's credit in aid of the

5 6 eligible borrower.

5 7 3. In making linked investments with eligible lending

5 8 institutions for loans to eligible borrowers, the department

5 9 shall not pay, assume, or become responsible for the debts or

5 10 liabilities of the eligible borrower.

5 11 4. A delay in payments by an eligible borrower to an

5 12 eligible lending institution or a default on the part of an

5 13 eligible borrower shall not in any manner affect the linked

5 14 investment agreement between the eligible lending institution

5 15 and the department.

5 16 Sec. 6. NEW SECTION. 15E.366 COUNTY AND REGIONAL WAGE

5 17 CALCULATIONS.

5 18 1. a. In making linked investments under the program, the

5 19 department shall annually calculate a county wage and a

5 20 regional wage for each county for purposes of determining the

5 21 eligibility of borrowers under the program.

5 22 (1) The county wage and the regional wage shall be an

5 23 hourly wage rate based on data from the most recent four

5 24 quarters of wage and employment information from the quarterly

5 25 covered wage and employment data report issued by the

5 26 department of workforce development.

5 27 (2) The department shall not include the value of benefits

5 28 when calculating the county wage or the regional wage.

5 29 b. The county wage shall be the average of the wages paid

5 30 for jobs performed in the county by employers in all

5 31 employment categories except the employment categories of

5 32 government, agriculture, and mining.

5 33 c. The regional wage shall be calculated as follows:

5 34 (1) Multiplying by four the county wage of a county.

5 35 (2) Adding together the county wage of each of the

6 1 counties adjacent to the county.

6 2 (3) Adding the result obtained in subparagraph (1) to the

6 3 result obtained in subparagraph (2).

6 4 (4) Dividing the result obtained in subparagraph (3) by

6 5 the sum of the number of counties adjacent to the county plus

6 6 four.

6 7 Sec. 7. NEW SECTION. 15E.367 RULES.

6 8 The department shall adopt rules pursuant to chapter 17A to

6 9 administer this division. The rules shall provide for the

6 10 administration of the program and for monitoring the

6 11 compliance of eligible lending institutions and eligible

6 12 borrowers with the requirements of this division.

6 13 EXPLANATION

6 14 This bill creates a linked investment loans for emerging

6 15 businesses program.

6 16 The program is similar in structure to the linked

6 17 investments for tomorrow Act in Code sections 12.31 through

6 18 12.43. Under the program, an eligible business applies to an

6 19 eligible lending institution for a loan, and the lending

6 20 institution seeks a linked investment from the department of

6 21 economic development. Moneys invested by the department come

6 22 from the grow Iowa values fund.

6 23 An eligible lending institution is a financial institution

6 24 empowered to make commercial loans and eligible to be a

6 25 depository of state funds pursuant to Code chapter 12C. An

6 26 eligible borrower is a business that is: (1) an Iowa-based

6 27 primary sector business; (2) an emerging business seeking to

6 28 expand, an emerging business seeking to purchase another

6 29 Iowa-based business, or any existing business that has

6 30 suffered significant physical damage as a result of a natural

6 31 disaster; and (3) a business that can demonstrate that the

6 32 proceeds of a linked investment loan will result in the

6 33 creation or retention of five or more jobs at 180 percent of

6 34 the qualifying wage threshold, 10 or more jobs at 160 percent

6 35 of the qualifying wage threshold, or 20 or more jobs at 130

7 1 percent of the qualifying wage threshold.

7 2 If a lending institution wishes to receive a linked

7 3 investment, the lending institution must send a loan package

7 4 to the department for review. The department may negotiate

7 5 the terms of the linked investment and accept a certificate of

7 6 deposit from the lending institution. The lending institution

7 7 must agree to loan an amount at least equal to the value of
7 8 the certificate of deposit to the eligible borrower. The
7 9 annualized interest rate on the certificate of deposit is
7 10 negotiable but cannot be less than one-half of 1 percent. The
7 11 loan to the eligible borrower cannot be at a rate of interest
7 12 more than 4 percent above the rate of the department's
7 13 certificate of deposit.
7 14 The linked investments do not constitute the payment of a
7 15 business debt by the state nor do they pledge the credit or
7 16 taxing power of the state.
7 17 The department is directed to adopt rules for the
7 18 administration of the program.
7 19 LSB 2172YH 83
7 20 tw/mg:sc/8